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ABSTRACT

Materials developed for use by high school teachers in courses dealing with free enterprise economics are presented. The developmental version of a 50-item multiple choice test, a list of proposed behavioral objectives, a list of suggested topic titles and major focus concepts are included. Test construction and reliability studies are briefly described. (MV)

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BEHAVIORAL OBJECTIVES, MAJOR CONCEPTS, A TOPIC ORGANIZATION MATRIX, AND A DEVELOPMENTAL VERSION OF A 50-ITEM TEST FOR A SECONDARY SCHOOL COURSE IN FREE ENTERPRISE

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August 1977

These materials were developed as a product of Project 500 ("Development of Behavioral Objectives and Test Items on 'Free Enterprise' and Assessment of 'Free Enterprise' Training's Impact on Understandings of (1) Teachers taking the Training and (2) Secondary Students in those Teachers' Classes"). This research was supported by a Texas A&M University College of Education Research Grant.

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INTRODUCTION

INTRODUCTION

Materials packaged here include a developmental version of a 50-item multiple choice test designed for use at the high school level, a list of proposed behavioral objectives, and a list of suggested topic titles and major focus concepts designed for use in high school free enterprise education courses being offered in accordance with the intent of Texas House Bill 1118. These materials are provided in the hope that they may prove useful to teachers of free enterprise education in Texas and elsewhere.

The sequence of materials included is as follows:

Appendix A: Suggested Behavioral Objectives for Guiding Students' Learning in Free Enterprise Education.

Appendix B: A Selection of Major Topics and Concepts in Free Enterprise Education

Appendix C: Relationship of Individual Test Items to Concepts in Free Enterprise Education

Appendix D: A Matrix of Proposed Behavioral Objectives, Major Topics and Concepts, and Test Item Numbers from a Developmental Version of a Test for a Program in Free Enterprise Education Consistent with the Intent of Texas House Bill 1118.

Appendix E: A Developmental Version of a 50-Item Test in Free Enterprise Education (Includes Answer Key)

MATERIALS DEVELOPMENT BACKGROUND

These materials developed as part of a Texas A&M University College of Education Research grant entitled "Development of Behavioral Objectives and Test Items on 'Free Enterprise' and Assessment of 'Free Enterprise' Training's Impact on Understandings of (1) Teachers taking the Training and (2) Secondary Students in those Teachers' Classes. This portion of this two phase project was completed between January and August 1977.

During June 1977, thirty-eight teachers from throughout Texas attended the American Economy Institute on the campus of Texas A&M University. The American Economy Institute provided participants with four weeks of intensive training in economics as well as in instructional materials development. Economics training, accounting for about two-thirds of the daily three hours of classroom instruction, was geared to providing participants with a background in economics consistent with their need to teach free enterprise education courses developed as a consequence of House Bill 1118. A few participants had some previous background in economics, but most came with very limited academic training in the area. Instruction was premised on the assumption that participants had little prior formal training in this area.

As preparation for the American Economy Institute, there was close cooperation between John Allen, Director of the American Economy Institute, David Armstrong, Director of the College of Education Research Project, and others involved in the American Economy Institute. These discussions resulted in the formulation of a needs analysis of potential teachers of free enterprise education having minimal academic preparation in the area. This needs analysis process led to a careful formulation of topics for the American Economy Institute that would parallel those likely to be covered by a teacher in secondary schools responsible for the free enterprise education course. Once these topics were identified, efforts turned to a consideration of important concepts to be highlighted. The list of concepts provided here represents a distillation of this thinking. These concepts guided the instruction in the American Economy Institute and seem to have possibilities for providing foci for free enterprise education courses in Texas secondary

schools. Finally, discussions moved on to consider behavioral objectives that might prove suitable for orienting instruction and learning in free enterprise education. The list provided here is essentially that which was adopted to frame instruction for the American Economy Institute. The list seems to hold promise as well for use in secondary school courses in free enterprise education.

A test consisting of 105 multiple-choice items was developed for use by the 38 teacher-participants in the American Economy Institute. Test construction was guided by the list of identified behavioral objectives and major concepts. This instrument was given twice, once as a pretest on the first day of instruction and once as a posttest at the conclusion of the program. Kuder-Richardson formula 21 reliability on the pretest administration was .9290 and on the posttest administration was .8559. The somewhat surprising reduction in the posttest reliability may have resulted from a "test fatigue" factor. The posttest was given after participants completed another test instrument. No other test was given along with the 105-item instrument at the time of the pretest. T-tests were run between pretest and posttest scores. Posttest scores exceeded pretest scores at a level significant beyond .01.

Item analyses were conducted following both pretesting and posttesting. From this 105 test instrument, a smaller test of 50 items was selected. This was accomplished by eliminating all items that, on both tests, revealed negative point-by-serial correlations with total test scores and by rejecting, when possible, items that, on both tests had point-by-serial correlations with total test scores below the level of +.30 and above +.85. A few items were included that violated these decision rules because of a desire to include questions focusing on all major concepts. In a very few instances, an unbending adherence to the item selection rule would have resulted

in some major concepts being untested.

Arrangements have been made to use this 50-item test in classes with approximately 1,000 high school students enrolled throughout Texas during the 1977-1978 school year. This trial will provide more specific information regarding the reliability of this instrument with secondary school students. Surely there will have to be some revisions. The test, as provided here, must be recognized as strictly in a developmental stage. Interpretation of performance should be undertaken cautiously. In another year, a more definitive instrument, hopefully, will be available.

But, even in its present state of evolution, the 50-item test may have some value. Very few presently-available tests have a specific focus on the free-enterprise component of the American economic system. Given this lack, this instrument may fill this void, if only temporarily, until a more completely researched version becomes available.

AVAILABILITY OF THESE MATERIALS

Limited quantities of these materials are available, at no charge, from the following:

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APPENDIX A: SUGGESTED BEHAVIORAL OBJECTIVES FOR GUIDING STUDENTS' LEARNING IN FREE ENTERPRISE EDUCATION

SUGGESTED BEHAVIORAL OBJECTIVES FOR GUIDING STUDENTS' LEARNING IN FREE ENTERPRISE EDUCATION

1. Each student will point out central features of the "economic problem."

2. Each student will define and describe relationships existing between the concepts "scarcity" and "opportunity cost."

3. Each student will describe producer and consumer incentives in a free market economy.

4. Each student will describe the operation of the "market mechanism."

5. Each student will identify effects of profits and losses in a free market economy.

6. Each student will point out the scope and functions of property rights in a free market economy.

7. Each student will define the concepts "supply" and "demand" and describe how changing relationships between supply and demand affect prices.

8. Each student will describe the role of prices in a free market economy.

9. Each student will describe variables that go together to define a "market structure."

10 Each student will compare and contrast economic systems in terms of their allocative efficiency.

11 Each student will explain how alternative priorities among goals of society may affect the nature of a given economic system.

12 Each student will evaluate the impact of governmental intervention in the private sector.

13 Each student will define the concepts "labor force," "full employment," and "unemployment."

14 Each student will identify and describe measures of economic performance including "Gross National Product" and "Net National Product."

15 Each student will name selected data sources where information relating to measures of economic performance can be found.

16 Each student will identify levels of recent rates of inflation and will describe the impact of both inflation and deflation on prices and purchasing power.

17 Each student will define and differentiate among the concepts "amount," "rate," "index number," "real value," and "nominal value."

APPENDIX B: A SELECTION OF MAJOR TOPICS AND CONCEPTS IN FREE ENTERPRISE EDUCATION

A SELECTION OF MAJOR TOPICS AND CONCEPTS IN FREE ENTERPRISE EDUCATION

1.0 The Economic Problem

- 1.1 natural, human, and capital resources
- 1.2 scarcity and choice
- 1.3 opportunity costs and trade-offs

2.0 Free Enterprise and the Economic Problem

- 2.1 incentives
  - 2.11 producer and consumer
- 2.2 market mechanism
  - 2.21 resource allocation and prices
- 2.3 competition
- 2.4 circular flow of income
- 2.5 role of profits and losses
- 2.6 property rights and limited government

3.0 Supply, Demand, Markets, and Prices

- 3.1 market
- 3.2 supply and demand
  - 3.21 shortage and surplus
- 3.3 prices, wages, rents, interest rates
- 3.4 market structure
- 3.5 "other things being equal"

4.0 Evaluation of the Free Enterprise System

- 4.1 goals of society (freedom, efficiency, equity, security, stability, growth)
- 4.2 system performance
  - 4.21 allocative efficiency

4.3 role of government

4.31 externalities

5.0 Economic Performance: Measures and Dimensions

5.1 statistical concepts

5.11 amounts, rates, and index numbers

5.12 real versus nominal values

5.2 production, employment, income, prices

5.21 labor force

5.22 gross national product and net national product

5.3 income distribution

APPENDIX C: RELATIONSHIP OF INDIVIDUAL TEST ITEMS TO CONCEPTS IN FREE ENTERPRISE EDUCATION

RELATIONSHIP OF INDIVIDUAL TEST ITEMS TO CONCEPTS IN FREE ENTERPRISE EDUCATION

Topic Area and Concepts	Test Item Numbers
1.0 The Economic Problem	
1.1 natural, human, and capital resources	1
1.2 scarcity and choice	2, 37, 43
1.3 opportunity costs and trade-offs	3, 6, 7
2.0 Free Enterprise and the Economic Problem	
2.1 incentives	4, 5
2.12 producer and consumer	8
2.2 market mechanism	9
2.21 resource allocation and prices	10, 11
2.3 competition	38, 42
2.4 circular flow of income	12
2.5 role of profits and losses	14
2.6 property rights and limited government	13, 34, 35, 36
3.0 Supply, Demand, Markets, and Prices	
3.1 market	15
3.2 supply and demand	16, 39, 40, 44, 45
3.21 shortage and surplus	17
3.3 prices, wages, rents, interest rates	46
3.4 market structure	47, 50
3.5 "other things being equal"	41

Topic Area and Concepts	Test Item Numbers
4.0 Evaluation of the Free Enterprise System	
4.1 goals of society (freedom, efficiency, equity, security, stability, growth)	18, 19, 20, 21, 22
4.2 system performance	
4.21 allocative efficiency	25, 26, 27, 49
4.3 role of government	23
4.31 externalities	24
5.0 Economic Performance: Measures and Dimensions	
5.1 statistical concepts	
5.11 amounts, rates, index numbers	28
5.12 real versus nominal values	29, 30
5.2 production, employment, income, prices	
5.21 labor force	31, 33
5.22 gross national product and net national product	32
5.3 income distribution	48

APPENDIX D: A MATRIX OF PROPOSED BEHAVIORAL OBJECTIVES, MAJOR TOPICS AND CONCEPTS, AND TEST ITEM NUMBERS FROM A DEVELOPMENTAL VERSION OF A TEST FOR A PROGRAM IN FREE ENTERPRISE EDUCATION CONSISTENT WITH THE INTENT OF TEXAS HOUSE BILL 1118

A MATRIX OF PROPOSED BEHAVIORAL OBJECTIVES,
MAJOR TOPICS AND CONCEPTS, AND TEST ITEM NUMBERS
FROM A DEVELOPMENTAL VERSION OF A TEST FOR A PROGRAM
IN FREE ENTERPRISE EDUCATION CONSISTENT WITH THE INTENT OF
TEXAS HOUSE BILL 1118

TOPICS	The Economic Problem	Free Enterprise and the Economic Problem
BEHAVIORAL OBJECTIVES	Each student will point out central features of the "economic problem." Each student will define and describe relationships existing between the concepts "scarcity" and "opportunity cost."	Each student will describe producer and consumer incentives in a free market economy. Each student will describe the operation of the "market mechanism." Each student will identify effects of profits and losses in a free market economy. Each student will point out the scope and function of property rights in a free market economy.
MAJOR CONCEPTS	natural resources human resources capital resources scarcity choice opportunity costs trade-offs	incentives producer incentives consumer incentives market mechanism resource allocation prices competition circular flow of income profits and losses property rights limited government
TEST ITEM NUMBERS	1, 2, 3, 6, 7, 37, 43	4, 5, 8, 9, 10, 11, 12, 13, 14, 34, 35, 36, 38, 42

TOPICS	Supply, Demand, Markets and Prices	Evaluation of the Free Enterprise System
BEHAVIORAL OBJECTIVES	Each student will define the concepts "supply" and "demand" and describe how changing relationships between supply and demand affect prices. Each student will describe the role of prices in a free market economy. Each student will describe variables that go together to define a "market structure."	Each student will compare and contrast economic systems in terms of their "allocative efficiency." Each student will explain how alternative priorities among goals of society may affect the nature of a given economic system. Each student will evaluate the impact of governmental intervention in the private sector.
MAJOR CONCEPTS	market supply and demand shortage surplus market structure "other things being equal"	goals of society system performance allocative efficiency role of government externalities
TEST ITEM NUMBERS	15, 16, 17, 39, 40, 41, 44, 45, 46, 47, 50	18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 49

TOPICS	Economic Performance: Measures and Dimensions
BEHAVIORAL OBJECTIVES	Each student will define the concepts "labor force," "full employment," and "unemployment." Each student will identify and describe measures of economic performance including "gross national product" and "net national product." Each student will name selected data sources where information relating to measures of economic performance can be found. Each student will identify levels of recent rates of inflation and will describe the impact of both inflation and deflation on prices and purchasing power. Each student will define and differentiate among the concepts "amount," "rate,""index number," "real value," and "nominal value."
MAJOR CONCEPTS	amounts, rates index numbers, real values, nominal values, production, employment, income, prices, labor force, gross national product, net national product, income distribution
TEST ITEM NUMBERS	28, 29, 30, 31, 32, 33, 48

APPENDIX E: A DEVELOPMENTAL VERSION OF A 50-ITEM TEST IN FREE ENTERPRISE EDUCATION

TEST OF FREE ENTERPRISE UNDERSTANDING

(Developmental Version)

1. Goods produced by man's past efforts that are available to produce other goods in the future are known as

   a. trust accumulation goods.

   b. capital goods

   c. pre-assessed goods

   d. competitive goods

2. Since wants exceed available resources, people, in deciding how to use these resources, are forced to

   a. abandon their wants.

   b. call on the government.

   c. make choices.

   d. call in their margins.

3. When a decision is made to use a scarce resource in a certain way, something is given up. The term that is used to describe what has been given up is

   a. marginal resource.

   b. opportunity cost.

   c. dichotomous expense.

   d. utility decline point.

4. Which of the following statements most accurately describes the effect of individual economic incentives on consumer behavior?

   a. Consumers reduce their desires to obtain total satisfaction and accept the limited amount of goods they can afford.

   b. Consumers allocate their limited incomes to maximize their total satisfaction.

   c. Consumers increase their savings and refuse to buy goods beyond those they need for physical survival.

   d. Individual consumers adjust their desires to that they are at the same level as those of every other consumer in the society.

5. In the American economy, the most important motivating force behind economic behavior is

   a. governmental action.

   b. individual economic incentives.

   c. collective incentives.

   d. central planning.

6. Which of the following statements is most consistent with the definition of "opportunity cost?"

   a. The cost of opportunities parallels shfits in negative demand curve ratios.

   b. The cost of any act chosen is equal to the cost of any other act given up as a result of that choice.

   c. Costs reflect entry-level surcharges that occur when businesses are first opened.

   d. Costs reflect philogenous variables, whereas prices reflect protogenous variables.

7. Costs

   a. are always measured in terms of money.

   b. may include things other than monetary costs.

   c. never include monetary considerations.

   d. always exceed residuals.

8. Producers are encouraged to use productive resources efficiently because of

   a. consumerism.

   b. egalitarianism.

   c. competition.

   d. government regulation.

9. The conflict of interests between consumers and producers is reconciled by the

   a. Federal Reserve System.

   b. fiscal policies of the government.

   c. market mechanism.

   d. rulings of judicial economic arbiters.

10 In a competitive market, adjustments in prices serve to

   a. allocate resources toward uses most highly valued by society.

   b. allocate resources inefficiently.

   c. decrease competition.

   d. create severe misalignments between demands for goods and supplies of goods.

11 The principal resource allocation system of a free enterprise economy is

   a. monetary policy.

   b. fiscal policy.

   c. markets and prices.

   d. regulatory mandates.

12. In one direction, there is a circular flow of money from business to households in the form of income (salaries) and from households to business in the form of money spent for goods and services. There is also a flow in the opposite direction consisting of

    a. productive resources and finished goods.

    b. business income and finished goods.

    c. productive resources and public expenditures.

    d. business income and productive resources.

13. Which one of the following pairs of characteristics is most closely associated with a free enterprise economy?

    a. central planning / concern for equity.

    b. rights to private property/ belief in limiting governmental action in the economic sphere.

    c. utilizing fiscal policy to prevent high unemployment/ belief in enlarging governmental action in the economic sphere.

    d. tratition-mandated consumer decision-making/ concern for stability.

14. Business losses are signals from consumers that are likely to result in

    a. an increase in production.

    b. a decrease in production.

    c. no change in production.

    d. employment of additional workers.

15. Which of the following best describes the term "market" as it is used by economists?

    a. a place where stocks and bonds are traded in New York.

    b. a place where liquid assets, particularly cash and demand deposits, are held in escrow.

    c. a mechanism which facilitates exchange among buyers and sellers of goods, services, and productive resources.

    d. a building where retailers and purchasers come together for the purposes of resources exchange.

16. The totals of all individual decisions to buy or sell in a market can be represented by

    a. independently elastic volume curves.

    b. discount and rediscount.

    c. schedules of supply and demand.

    d. margin costs and maximal utility ratios.

17. When a shortage exists in a free market, we can conclude
    a. that the current price is higher than the equilibrium price.
    b. that the current price is lower than the equilibrium price.
    c. that the current price is equal to the equilibrium price.
    d. nothing about the current price and its relation to the equilibrium price.

18. Freedom of enterprise refers to all of the following except:
    a. businesses' freedom to acquire resources they desire and for which they are able to pay.
    b. businesses' freedom to secure governmental regulation of "unfair" competition.
    c. businesses' freedom to produce any product and offer it for sale at any price they desire.
    d. businesses' freedom to invest in any way they please.

19. Freedom of individual choice refers to all of the following except:
    a. individuals' freedom to accept any job subject only to the limitations of their abilities.
    b. individuals' freedom to quit any job.
    c. individuals freedom to use their own resources subject to no restraints whatever.
    d. individuals' freedom to buy any goods subject only to constraints of their own budgets.

20. The concept of "technical efficiency" refers to which of the following?
    a. distributing large numbers of goods to promote the highest social good in accordance with regulations of the government that set prices low.
    b. allocating resources to achieve the maximum possible "output" for each unit of "input."
    c. using large numbers of moderately paid workers to produce goods rather than small numbers of highly paid workers.
    d. allocating resources in such a way that the total value of goods is regulated by a central planning authority.

21. "Economic stability" commonly refers to both
    a. prices and demand.
    b. employment and wages.
    c. prices and employment.
    d. employment and demand.

22. Economic growth results when there is an increase in
    a. total nominal dollar wages paid to workers.
    b. total nominal dollar value of products produced.
    c. per capita output of the economy in "real" dollars.
    d. total face value of money in circulation.

23. Free enterprise advocates a limited role for government in the economy so as to

    a. protect individual freedom.

    b. guarantee price stability.

    c. equalize distribution of goods produced.

    d. assure increases in per capita economic output through federal planning.

24. "Externalities" refer to

    a. both costs and benefits of production not registered in the market place.

    b. costs firms pay for materials in addition to those incurred for raw materials.

    c. cost factors associated with resouce location as opposed to resource transformation.

    d. regulatory activities of federal agencies.

25. The free enterprise system automatically encourages

    a. technical efficiency, but not economic efficiency.

    b. technical efficiency and economic efficiency.

    c. economic efficiency, but not technical efficiency.

    d. economic inefficiency.

26. Because of "externalities," the free market system

    a. may not achieve the optimum level of production of public or social goods.

    b. never overproduces any commodities.

    c. assures that each household receives an equal allocation of resources.

    d. depends on the government to identify items in short supply.

27. If efficiency can be achieved only through large scale production, one consequence may be

    a. a tendency for competition to increase because more firms are likely to go into production.

    b. a tendency for a smaller total number of firms each to acquire a smaller total percentage of market power.

    c. a tendency for there to be less competition among firms and greater market power for each.

    d. an elimination of governmental interest in business regulation.

28. Inflation is expressed as

    a. an amount.

    b. a rate.

    c. a combination of an amount and a rate.

    d. neither an amount nor a rate.

29. In economics, the "real" value of an item refers to

    a. its intrinsic value in terms of its worth in exchange for another item.

    b. the numerical value that has been attached to the item.

    c. what the government says the item is worth now.

    d. what the government says the item was worth when it was first produced.

30. In economics, the "nominal" value of an item refers to

    a. the numerical value (perhaps the price in dollars) attached to the item.

    b. an unchanging instrinsic value attached to the item.

    c. the name or nominum given to the item.

    d. the fixed value attached to each unit of an item that remains unchanged over time.

31. The "labor force" includes

    a. those 16 and older who are able to work.

    b. those 16 and older who are willing to work.

    c. those 16 and older who are willing and able to work.

    d. those 16 and older who are currently working.

32. "Net National Product" is defined as

    a. Gross National Product minus depreciation.

    b. Gross National Product plus depreciation.

    c. National Income minus depreciation.

    d. National Income plus depreciation.

33. Mabel Smith, trained as a teacher, now is married and chooses to stay home with her two pre-school children. Ronald Allen, a 21 year-old engineering student, this fall is taking a full load of courses at the state university. James Johnson has graduated from college and is looking for a position in his major filed, accounting.

    Which of these individuals is (are) part of the "labor force?"

    a. all three.

    b. Mabel Smith and James Johnson.

    c. James Johnson.

    d. Ronald Allen.

34. The stronger the property rights are,

    a. the greater the power of government.

    b. the more limited the power of government.

    c. the more centralized the economy.

    d. the more regulated is business.

35. Basic to the principle of "right to property" are individuals rights to
    a. decide the use of property and to transfer rights of property.
    b. decide the use of property but not to transfer rights of property.
    c. transfer rights of property but not to decide the use of property.
    d. deny property rights of others.

36. Private property rights
    a. result in owners lacking incentives to concerve on resouce use.
    b. result in owners having incentives to conserve on resource use.
    c. result in owners exploiting resources irresponsibly.
    d. prompt owners to utilize scarce resources quicly to take advantage of high prices.

37. A good is "scarce" when
    a. the total supply available in a given year is much reduced from the total supply available during the previous year.
    b. there is not enough available for an individual to have all he wants without sacrificing something else he wants.
    c. the government includes it on the official "scarce commodities" list.
    d. it can be had in desired quantities with no sacrifice of other desired goods.

38. Competition, a condition that is <u>not</u> unique to the free enterprise system, results because of
    a. natural combativeness of human beings.
    b. a natural law mandating equal distribution of resources.
    c. scarcity in a multi-person world.
    d. needs for competitive affiliation.

39. An "effective want" is characterized by
    a. a simple verbalized expression of desire for a given item.
    b. a willingness to commit resources to satisfy a desire for a given item.
    c. a desire for a <u>useful</u> item.
    d. a desire for a given item that, in turn, can satisfy other wants.

40. "Demand" measures only
    a. effective wants.
    b. descriptive wants.
    c. parsimonious wants.
    d. prescriptive wants.

41. Analyses of changes in price movement from one market equilibrium to another resulting from a change in demand assume that

    a. Net National Product always exceeds Gross National Product.

    b. all other things are equal.

    c. inflation assures growth in "real" purchasing power.

    d. results will always reflect economic growth.

42. Competition results in all of the following except:

    a. diffusing buyers and seller so that the actions of no single individual will significantly influence the price of a product.

    b. dispersing economic power.

    c. assuring that wants of each individual will be met.

    d. preventing individuals from manipulating the market.

43. There is a seldom-occurring compound in nature known as dermatorum. It has no known use. The total world supply is estimated to be less than two metric tons.

    In 1961, a little-known San Francisco rock group, The Doleful Peanut Butter, recorded a song entitled Pineapple Panache. This song has become a highly prized collectors' item that is much in favor among the hundreds of fans of The Doleful Peanut Butter. Only one thousand copies of Pineapple Pinache were released.

    Which of the following statements accurately describes the scarcity of dermatorum and of the Pineapple Panache recording?

    a. Both dermatorum and the Pineapple Panache record are scarce.

    b. Only the dermatorum is scarce.

    c. Only the Pineapple Panache record is scarce.

    d. Neither the dermatorum nor the Pineapple Panache record is scarce.

44. In economics, the "Law of Demand" says that

    a. the power of demand esceeds that of supply in determining market prices.

    b. as price increases, the quantity demanded increases and vice versa.

    c. as price increases, the quantity demanded decreases and vice versa.

    d. profits are controlled exclusively by product demand.

45. In a competitive labor market for elevator operators, assume an equilibrium wage rate of $2.00 per hour. If tomorrow, the government sets a minimum wage rate of $2.50 per hour, we should expect

    a. the wage rate to rise to $2.50 and the number of people employed as elevator operators to increase.

    b. the wage rate to rise to $2.50 and the number of people employed as elevator operators to be exactly equal to the number seeking such jobs.

    c. the wage rate to rise to $2.50 and the number of people employed as elevator operators to remain unchanged.

    d. the wage rate to rise to $2.50, the number wanting to work as elevator operators to rise, but the number actually so employed to decline.

46. The overall level of real wages in the United States is basically a function of

    a. the level of productivity in the economy.

    b. the minimum wage rate.

    c. the rate of inflation.

    d. the extent to which the government regulates the rate of price change and the extent of technological progress.

47. The term "market structure" refers to

    a. the number and arrangement of buildings used by the individual firm.

    b. the administrative chain of authority within a given business.

    c. the degree of competition among producers in a given market.

    d. the entire scaling of economic insitutions from small credit organizations, to large regional banks, and, finally, to the Federal Reserve System itself.

48. An income tax is "progressive" if

    a. the tax rate goes up as income goes down.

    b. the percentage of income paid as taxes increases as income increases.

    c. the percentage of income paid as taxes is the same regardless of the size of income.

    d. the tax rate goes down as income goes up.

49. The maximum marginal tax rate on "earned" personal income currently is

    a. 35 percent.

    b. 40 percent

    c. 50 percent

    d. 70 percent

50. In the United States, the kind of business arrangement that characterizes the largest number of businesses is the

    a. cooperative.

    b. partnership.

    c. proprietorship.

    d. corporation.

KEY

Test of Free Enterprise Understanding
(Developmental Version)

ITEM	CORRECT RESPONSE	ITEM	CORRECT RESPONSE
1	b	26	a
2	c	27	c
3	b	28	b
4	b	29	a
5	b	30	a
6	b	31	c
7	b	32	a
8	c	33	c
9	c	34	b
10	a	35	a
11	c	36	b
12	a	37	b
13	b	38	c
14	b	39	b
15	c	40	a
16	c	41	b
17	b	42	c
18	b	43	c
19	c	44	c
20	b	45	d
21	c	46	a
22	c	47	c
23	a	48	b
24	a	49	c
25	b	50	c